

BILL # HB 2466

TITLE: vehicle title; registration; legal presence

SPONSOR: Pearce

STATUS: As Amended by House TRANS

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FISCAL ANALYSIS

Description

As amended, the bill would require a person to be legally present within the United States in order to obtain an Arizona vehicle title or registration.

Estimated Impact

The fiscal impact of the bill can not be determined with certainty due to a lack of data on the vehicle ownership and registration levels of persons who are currently in the state illegally and how the bill might impact those levels. By reducing the number of vehicle registrations, the bill would reduce State Highway Fund and Air Quality Fund revenues associated with the collection of title and registration fees; however, the magnitude of this reduction is unknown. The bill may also have a broader economic impact. For example, it could result in fewer vehicle purchases, which could reduce General Fund sales tax collections. JLBC Staff lacks sufficient information to determine the broad economic impact of the bill.

The Arizona Department of Transportation (ADOT) does not have an estimate of the fiscal impact of the bill.

Analysis

In general, the department assesses a \$4 fee to title a vehicle, while the following fees are charged to register a vehicle: an \$8 registration fee, a \$1.25 air quality research fee, and the Vehicle License Tax (VLT). Based on data received from ADOT's Motor Vehicle Division (MVD) last year, there are approximately 5 million vehicles registered in the state (excluding commercial vehicles, trailers, motorcycles, etc.). The average annual VLT per vehicle is approximately \$180.

The \$4 title and \$8 registration fees are deposited into the Highway User Revenue Fund (HURF). Collections from the VLT are generally distributed as follows: 45% to HURF, 30.3% to counties, and 24.6% to cities and towns. Once collections are deposited into HURF, those monies are then further distributed to the State Highway Fund and to local governments for road and highway construction, maintenance, and repair costs. The \$1.25 air quality research fee is deposited into the Air Quality Fund.

Since the bill would require a person to be legally present within the United States to obtain an Arizona vehicle title or registration, this may decrease the number of vehicle title and registrations. JLBC Staff can not estimate the net impact on these revenue collections with certainty as there is no data available on vehicle ownership or registration levels for persons residing in Arizona illegally.

A report from the U.S. Department of Homeland Security estimates that there were approximately 480,000 persons residing illegally in Arizona as of January 2005, and that since 2000 this population had on average increased annually by 30,000. Based on this information, there would be approximately 540,000 persons currently residing illegally within Arizona.

Since there is no data on vehicle ownership or registration levels for persons illegally present within Arizona, JLBC Staff can not estimate the bill's impact on vehicle title and registration fee collections. Based on a set of assumptions, however, a range of the potential impact can be developed. These assumptions are as follows:

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- The U.S. Census Bureau estimates that about 75% of Arizona's population is 16 years or older. If this ratio is applied to the illegal resident population, there would be approximately 400,000 illegal individuals in Arizona who are able to operate a vehicle.
- For the general Arizona population, there is roughly a 1:1 ratio of adults to registered vehicles. The maximum number of registered vehicles for the illegal population, therefore, would also be 400,000.

Under one scenario, currently no adult illegally present in Arizona would both own and have registered a vehicle. This scenario, which is unlikely, would result in no reduction in vehicle title and registration fee collections from the bill.

Under another scenario, currently every adult illegally present in Arizona would both own and have registered a vehicle. This scenario, which is also unlikely, would result in an annual loss to the State Highway Fund of approximately \$(19.6) million in revenues associated with the \$8 registration fee and the \$180 average VLT. (Although it is likely that the VLT assessment for persons illegally present within Arizona is lower than the average statewide amount of \$180, there is no available data to suggest an alternative figure. For purposes of this scenario, therefore, the \$180 amount is used.) The loss to local government transportation funding would be \$(55.6) million. The \$4 title fee would also result in a reduction to the state and local governments; however, since the title fee is generally not paid every year, the annual impact would be minimal. The Air Quality Fund would also lose approximately \$(500,000) annually under this scenario.

The above scenarios do not represent the JLBC Staff estimate of the impact of the bill. The existing title and registration process does not require proof of legal presence in the United States. Currently illegal residents may choose to register their vehicles, or they may choose not to register. Only to the extent that they are currently registering their vehicles would the bill reduce the associated fee collections.

In addition to any impact the bill might have on vehicle title and registrations, the bill could have a broader economic impact if it results in a reduction in vehicle purchases. In this circumstance, the bill could reduce state General Fund and local sales tax collections. Any decrease in revenues could be offset by a reduction in road and highway costs if there are fewer vehicles on the road. JLBC Staff, however, can not determine in advance what the bill's broad economic impact could be.

Local Government Impact

As mentioned above, the bill may reduce local sales tax and transportation fee collections.

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